

**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
CLERK**

**For The Year Ended  
December 31, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PIKE COUNTY CLERK**

**For The Year Ended  
December 31, 2008**

The Auditor of Public Accounts has completed the Pike County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Pike County Clerk had total receipts of \$16,876,142, which was a \$1,173,633 decrease from the prior year. Except for reimbursed expenses in the amount of \$213,819, the clerk paid 25% of receipts to the Pike County Fiscal Court in the amount of \$398,057. This was a decrease of \$45,443 from the prior year. In addition, operating fund expenditures increased by \$162,532.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Honorable Lillian Pearl Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Pike County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2009 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Honorable Lillian Pearl Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Pike County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

July 13, 2009



PIKE COUNTY  
LILLIAN PEARL ELLIOTT, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Fees For Services		\$	579
Fiscal Court			2,745
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,361,608	
Usage Tax		6,201,623	
Tangible Personal Property Tax		5,556,540	
Other-			
Fish and Game Licenses		17,404	
Marriage Licenses		18,434	
Occupational Licenses		3,803	
Deed Transfer Tax		76,583	
Delinquent Taxes		<u>1,776,733</u>	16,012,728
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts		33,417	
Real Estate Mortgages		74,106	
Chattel Mortgages and Financing Statements		160,923	
Powers of Attorney		2,205	
Bail Bonds		9,690	
Articles of Incorporation		1,377	
Affordable Housing Trust		74,856	
All Other Recordings		99,439	
Charges for Other Services-			
Copywork		33,803	
Postage		24,643	
Election Filing Fees		<u>1,240</u>	515,699
Other:			
Refunds and Overpayments		134,703	
2007 Fee Account Balance		206,562	
Miscellaneous		<u>1,889</u>	343,154
Interest Earned			<u>1,237</u>
Total Revenues		\$	16,876,142

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
 LILLIAN PEARL ELLIOTT, COUNTY CLERK  
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,718,680
Usage Tax	6,013,915
Tangible Personal Property Tax	2,021,519

Licenses, Taxes, and Fees-

Fish and Game	16,524
Delinquent Tax	233,677
Legal Process Tax	56,687
Marriage License	2,291
Affordable Housing Trust	<u>74,856</u>
	\$ 10,138,149

Payments to Fiscal Court:

Tangible Personal Property Tax	566,175
Delinquent Tax	188,167
Deed Transfer Tax	74,590
Occupational Licenses	3,124
Delinquent Tax-Solid Waste	<u>202,103</u>
	1,034,159

Payments to Other Districts:

Tangible Personal Property Tax	2,739,988
Delinquent Tax	<u>702,491</u>
	3,442,479

Payments to Sheriff 19,645

Payments to County Attorney 252,797

Other Charges-

Refunds	138,815
Usage Tax Refunds	8,258
Ad Valorem Tax Refunds	6,170
Uncollected Bad Checks	3,388
Miscellaneous	<u>883</u>
	157,514

Total Expenditures \$ 15,044,743

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
LILLIAN PEARL ELLIOTT, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2008  
(Continued)

Net Revenues		\$	1,831,399
Payments to State Treasurer:			
75% Operating Fund	\$	1,372,342 *	
25% County Fund		<u>398,057</u>	<u>\$ 1,770,399</u>
Balance Due at Completion of Audit			<u><u>\$ 61,000</u></u>

\* Includes \$213,819 of reimbursed expenses.

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
 LILLIAN PEARL ELLIOTT, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2008

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2008	\$ 303,110	\$	\$ 303,110
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,372,342		1,372,342
Fees Paid to State - County Funds (25%)		398,057	398,057
Total Funds Available	1,675,452	398,057	2,073,509
<u>Expenditures</u>			
Payments to Pike County Fiscal Court	\$	\$ 398,057	\$ 398,057
Personnel Services-			
Clerk's Statutory Maximum	95,169		95,169
Clerk's Expense Allowance	3,600		3,600
Clerk's Training Incentive	3,525		3,525
Deputies' Salaries	657,233		657,233
Employee Benefits-			
Employer's Share Social Security	55,753		55,753
Employer's Share Retirement	100,797		100,797
Employer's Paid Health Insurance	338,467		338,467
Employer's Paid Dental Insurance	14,849		14,849
Employer's Paid Life Insurance	1,656		1,656
Workman's Compensation	56,393		56,393
Materials and Supplies-			
Office Materials	267		267
Office Supplies	21,388		21,388
Other Charges-			
Books and Journals	11,016		11,016
Dues	2,840		2,840
Postage	12,669		12,669
Freight	10,410		10,410
Advertising	500		500
Bond	1,407		1,407

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
 LILLIAN PEARL ELLIOTT, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges- (Continued)			
Computer Maintenance	\$ 10,984	\$	\$ 10,984
Tax Bill Preparation	11,270		11,270
Telephone	2,155		2,155
Office Renovations	3,192		3,192
Equipment Maintenance	11,290		11,290
Training	650		650
Miscellaneous	1,989		1,989
Auto Expenses-			
Gasoline	824		824
Maintenance and Repairs	1,125		1,125
Capital Outlay-			
Office Equipment	5,315		5,315
Equipment and Furniture	19,917		19,917
Computer Equipment	13,108		13,108
Total Expenditures	<u>1,469,758</u>	<u>398,057</u>	<u>1,867,815</u>
Fund Balance - December 31, 2008	<u>\$ 205,694</u>	<u>\$ 0</u>	<u>\$ 205,694</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2008

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Pike County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Pike County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grants

- A. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,202 during 1995. The County Clerk had a balance of \$1,786 on January 1, 2008, and the account earned \$3 of interest during the year. Funds totaling \$25 were expended during 2008. The unexpended grant balance as of December 31, 2008, was \$1,764.
- B. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$22,570 during 1999. The County Clerk had a balance of \$463 on January 1, 2008, and the account earned no interest during the year. Funds totaling \$15 were expended during 2008. The unexpended grant balance as of December 31, 2008, was \$448.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Honorable Lillian Pearl Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Pike County Clerk for the year ended December 31, 2008, and have issued our report thereon dated July 13, 2009. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Pike County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

July 13, 2009

